

PROPOSAL FOR FINANCING AND TECHNICAL-COOPERATION FUNDING FOR:

NATIONAL PROGRAM FOR STRENGTHENING THE HANDICRAFTS SECTOR

(SP-97-07-20-1-CPS)
(SP/TC-99-03-04-5-FUNDASAL)
(TC-99-03-04-6-CASART)
(TC-99-03-04-7-PROESA)
(TC-99-03-04-4-ACOOPRAC)

EXECUTIVE SUMMARY

EXECUTING AGENCIES: Cámara Salvadoreña de Artesanos (CASART), Comité de Proyección Social (CPS), Fundación para la Promoción de Productos y Personas de Negocios Salvadoreños (PROESA), Fundación Salvadoreña de Desarrollo y Vivienda Mínima (FUNDASAL), and Cooperativa un Nuevo Amanecer (ACOOPRAC).

AMOUNT AND SOURCE: Social entrepreneurship program

Financing:

CPS	US\$250,000
FUNDASAL	<u>US\$150,000</u>
Subtotal:	US\$400,000

Technical-cooperation funding:

FUNDASAL	US\$150,000
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Technical-cooperation funding

CASART	US\$160,000
PROESA	US\$160,000
ACOOPRAC	<u>US\$100,000</u>
Subtotal:	US\$420,000

Grand total: US\$970,000

The funding for the program will come from the Fund for Special Operations (FSO).

FINANCIAL
TERMS AND
CONDITIONS:

Amortization period:	20 years
Grace period:	5 years
Disbursement period:	4 years*
Credit fee:	1%

* with maintenance of value payable in local currency.

OBJECTIVES:

The general objective of this project is to promote equitable growth and improve the socioeconomic situation of artisans in El Salvador through

assistance for microenterprises in the handicrafts sector. The specific objectives are: (i) to carry out various activities to improve handicraft quality and create innovative designs, (ii) to forge and strengthen commercial ties and feedback between craft production centers and local and international markets, and (iii) to hone the management skills and strategies of small handicrafts businesses and businesses serving the tourism sector in key craft production centers.

DESCRIPTION:

The proposed program will be carried out by five nonprofit organizations, each of which will be responsible for a project of its own. CASART will be in charge of offering training programs with a focus on improving the quality of handicrafts and producing more innovative designs. The CPS will develop local business channels by creating ties with tourism and handicrafts distribution. PROESA will offer technical and strategic assistance to artisans and handicrafts cooperatives as well as tourism service providers. FUNDASAL and ACOOPRAC will be responsible for establishing and reinforcing commercial links with foreign markets. Lastly, a board of directors will be set up for the program to help ensure that complementarity in each institution's activities is achieved in the short run and maintained after completion of the program.

**ENVIRONMENTAL
CLASSIFICATION:**

The Committee on Environment and Social Impact (CESI), at its meeting of January 25, 1999, approved the profile for this project. The Committee's recommendations were incorporated into the design of the operation.

BENEFICIARIES:

Craftsmen and microentrepreneurs linked to the handicrafts sector.

RISKS:

The main risk associated with this operation is that interagency coordination may be difficult to achieve. It is important to note that although each of the five projects is viable on its own without the other four, the expected impact at the national level will be far greater if the five are coordinated. The condition that the board of directors for the program be established and its regulations implemented will encourage proactive and constructive coordination among the five executing agencies.

**THE BANK'S
COUNTRY STRATEGY:**

Amongst the areas of activity assigned priority in the Bank's strategy for El Salvador (document GN-1981, June 1997) is support for microenterprise by creating conditions conducive to developing efficient

markets that can provide the financing and other services needed by microenterprise. The proposed program is consistent with the general objective of the Bank's strategy for microenterprise development (document GN-1938-3, February 1997), consisting of broadening economic opportunities in Latin America and the Caribbean through vigorous, sustainable development of microenterprise.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to the first disbursement for each of the five projects, the board of directors will submit, to the Bank's satisfaction, the text of the interagency agreement to be signed by each of the executing agencies. The agreement will establish the responsibilities of each agency under the program and with respect to one another. It will also include the following information: (i) the names of the representatives who will be authorized to vote at the board's meetings and their alternates; (ii) the functions of the board of directors; (iii) the activities and mechanisms required for close coordination; and (iv) the funds earmarked for program evaluations (US\$20,000) in the budgets of CASART and PROESA.

Prior to the first disbursement of the financing, the CPS will be required to present the following information to the Bank's satisfaction: (i) legal title to the land on which the National Exhibition Center is to be built and a copy of the blueprints to be prepared by the consultants hired with the technical-cooperation funding (ATN/SF-6119-ES approved by the Bank to support the CPS and now in progress), and evidence that its construction has been, or is being, satisfactorily completed; and (ii) for the working capital component, a business plan outlining the operations proposed for the Exhibition Center.

Each executing agency will submit to the Bank, within 60 days following the close of each calendar year for the duration of the program, a progress report on its respective project. The final report will need to summarize the results obtained vis-à-vis the original program objectives. In addition, the board will have to prepare a short semiannual report on interagency coordination, including information on the matters addressed and how they were resolved, and the steps taken by the institutions to implement CESI's recommendations.

To contribute to the success of the program and correct any shortcomings that may arise during

execution, a mid-term evaluation will be performed to ascertain the extent to which the objectives have been fulfilled once one half of the funding has been committed. To this end, the Bank's Country Office will directly hire consultants to carry out the evaluation, which will be charged to the nonreimbursable technical-cooperation funding (earmarked in the budgets of PROESA and CASART).

The purpose of the mid-term evaluation will be to review what has been accomplished under the program and to assess the validity of the procedures followed to carry out the credit and technical-cooperation components. Also, a final evaluation will be conducted to determine the success of the program and assess its impact on the handicrafts sector.